

**ERIE COUNTY CLERKS OFFICE****County Clerk's Recording Page**

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Return To:ALDEN AURORA GAS COMPANY INC
PO BOX 207

ALDEN NY 14004 0207

Party 1:

ERNY LAWRENCE G

Party 2:

ALDEN AURORA GAS COMPANY INC

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Doc Type: **OIL&GAS LEASE <500**Rec Date: **04/07/2009**Rec Time: **11:44:13 AM**Control #: **2009066560**User ID: **elaines**Trans Num: **691545**DEED SEQ: **TT2008015296**

MTG SEQ:

UCC:

SCAR:

INDEX:

Recording Fees:

| | |
|-----------------------|---------|
| RECORDING | \$35.00 |
| COE CO \$1 RET | 1.00 |
| COE STATE \$14.25 GEN | \$14.25 |
| COE STATE \$4.75 RM | \$4.75 |
| TP584 | \$10.00 |

Consideration Amount: \$1.00

| | |
|----------|--------|
| BASIC | \$0.00 |
| SONYMA | \$0.00 |
| ADDL | \$0.00 |
| NFTA MT | \$0.00 |
| TRANSFER | \$0.00 |
| NFTA TT | \$0.00 |

Total: \$65.00
STATE OF NEW YORK
ERIE COUNTY CLERK'S OFFICEWARNING - THIS SHEET CONSTITUTES THE CLERK'S ENDORSEMENT,
REQUIRED BY SECTIONS 319&316-a (5) OF THE REAL PROPERTY LAW
OF THE STATE OF NEW YORK. DO NOT DETACH. THIS IS NOT A BILL.Kathleen C. Hochul
County Clerk

GAS LEASE

THIS AGREEMENT made and entered into this 12th day of January 2009, by and between Lawrence G. Erny of 12869 North Rd., Alden, NY 14004 hereinafter called Lessor, and Alden Aurora Gas Company, Inc., of 13441 Railroad Street, Alden, NY 14004, hereinafter called the Lessee.

WITNESSETH:

1. Lessor, for and in consideration of the sum of \$1.00 and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby grant, demise and let unto Lessee all that property as described below, for the sole and exclusive rights to any and all natural gas found under the following parcel(s) of land, together with the right to develop, produce and market the same from said property. This shall include all rights necessary and convenient for drilling, producing and maintaining operations; together with the right of way, the right to lay pipelines to transport gas that may be produced from this or any other properties, the right of ingress and egress on and across said property, the right to construct roadways, and the right to put in tanks, equipment and other facilities on said property as and when needed to develop, produce, maintain or service either equipment or well(s) on said parcel(s). Lessee shall also be granted the right to use, free of charge, gas and other leased substances, including water, for its operations, and may at any time install, remove or replace property and equipment in the conduct of its operations.

Said Lease includes all the following tract(s) of land situated in the Town of Alden, County of Erie and State of New York, known as Tax Parcel Number 108.00-2-2.1; and is bounded substantially by lands now or formerly owned as follows:

| | |
|--------|------------------|
| NORTH: | North Rd. |
| EAST: | Voss |
| SOUTH: | Village of Alden |
| WEST: | Pautler |

Containing 42.64 acres of land more or less.

2. Lessee is granted the right to pool and unitize any or all of said leased premises with other leased properties in order to create one or more drilling/production units necessary and required to meet the rules and regulations of any lawful governmental authority having jurisdiction over the permitting and drilling of natural gas wells within the State of New York. Units of production may be as small as forty acres but no larger than one hundred sixty acres.

3. This lease shall remain in full force and effect for a term of ten years from the date hereof (the primary term), or so long thereafter as said land, or unitized lands herewith, are operated by the Lessee in the production of gas from these leased or unitized properties (the secondary term).

4. This lease shall terminate one year from the date hereof unless Lessee shall either commence drilling operations on said property or within a unit containing this property, or Lessee shall pay to Lessor the sum of One Dollar per acre (the delayed rental) which shall be due and payable annually in a like manner until a well is actually drilled on said property or within a unit containing this property. All delayed rental payments will allow the deferment of drilling operations for a period of one year during the primary term of this Agreement. It is agreed and understood that the commencement of a well on either this property or within a unit containing this property, shall act as full liquidation of all delayed rentals under the terms of this Agreement.

5. In the event Lessee shall drill a well on either this property, or in a unit that contains this property, Lessee shall then pay to Lessor a royalty equal to 1/8th of all gas produced and marketed from said land based upon Lessors percentage of acreage in the unit. This payment (royalty payment) shall be based upon Lessees sales price received at the wellhead and Lessors percentage of acreage in the producing unit. Lessors percentage of acreage in the unit is based upon their actual acreage in the unit compared to the total acreage of said unit. All Royalty payments are payable and due on an annual basis one year from the month of first production.

6. Should a natural gas well be drilled, completed, and commercially produced on any leased property in a production unit, then that specific landowner whose leased property has the well on it shall be entitled to receive up to 150,000 cubic feet of gas per well, per year free of charge to heat their principal dwelling (house). This is provided their principal dwelling (house) is located on the leased premises, and the well is completed and being produced commercially and is profitable.

The first 150,000 cubic feet of gas taken each year shall be free of cost and all gas taken in excess of this amount shall be paid for by Lessor at a rate equal to the closest New York State Public Utilities published monthly rates. Amounts in excess of the 150,000 cubic foot limit shall be billed to Lessor on an annual basis and paid within 23 days net of invoice. Failure to pay any or all billed amounts shall cause this provision to be disallowed until such time as Lessor pays all arrears in full.

7. Either party may sell, assign, or convey their interest in said land at anytime. Any transfer of ownership shall require notification of the other party. Any and all payments hereunder shall be reduced in proportion to the reduction or transfer of acreage in the producing unit.

8. Should Lessor claim that Lessee has failed to make any payment due under this Agreement, Lessor shall give Lessee immediate written notice in detail of such claim (via certified mail) and shall allow Lessee at least 90 days

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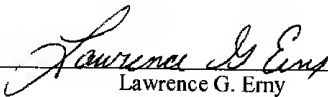
following receipt of such notice to remedy such breach and shall not commence any action in law or equity against Lessee before or during such 90 day period. No action by Lessee, either before or after receipt of such notice, shall be construed as an admission of breach by Lessee.

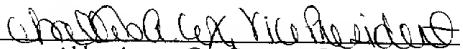
9. Should economic conditions dictate to Lessee either the necessity to shut-in the production or store the same for a later date, then Lessee shall pay to Lessor a storage fee equal to the delayed rental listed above on an annual basis. This payment (storage fee) shall be payable and due on an annual basis, and shall be payable to Lessor one year from the date of the well being shut-in. Said payment shall be made in lieu of all other payments and royalties due under the terms of this lease. During any period of shut-in, Lessor shall pay for all natural gas consumed at a rate equal to the nearest New York State Public Utilities published monthly rate.

10. Lessor hereby warrants and agrees to defend the title to the lands herein described. Lessor further agrees that Lessee shall have the right at any time to pay for Lessor any mortgage, taxes or other liens upon default by Lessor, and be subrogated to the rights of the holder thereof, and the amount of such payment may be deducted by Lessee from any sum due to the Lessor. In the event it appears to Lessee that any third party is in a position to assert a claim to an interest in the title to said land herein described in this Agreement, then Lessee may suspend any payments hereunder until such claim has been finally settled or determined by a court of competent jurisdiction.

This Agreement and all the provisions thereof, shall be applicable to and binding upon the parties hereto, their respective heirs, executors, administrators, successors and assigns unless otherwise modified by a later Modification Agreement.

IN WITNESS WHEREOF, the parties hereto have set their hands and seal this 13th day of January 2009.


Lawrence G. Erny


Alden Aurora Gas Company Inc., by
Challis A. Cox, Vice President

STATE OF NEW YORK)

: SS.

COUNTY OF ERIE)

On the 13th day of January, in the year 2009, before me, the undersigned, a notary public in and for said State, personally appeared Lawrence G. Erny, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or person upon behalf of which the individual(s) acted, executed the instrument.

Nancy J Malcomb - Notary Public
State of New York Niagara County
Commission expires Aug. 21, 2010



Notary Public

STATE OF NEW YORK)

: SS.

COUNTY OF ERIE)

On the 21st day of January, in the year 2009, before me, the undersigned, a notary public in and for said State, personally appeared Challis A. Cox, Vice President of Alden Aurora Gas Company, Inc., personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or person upon behalf of which the individual(s) acted, executed the instrument.


Notary Public

Ann M. Baran
Notary Public, State of New York
Registration #01BA6166592
Qualified in Erie County
Commission Expires May 21, 2011

